

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

RETAIL GROUND AND PARCEL SELECT GROUND
SERVICE STANDARD CHANGES, 2022

Docket No. N2022-1

**NOTICE OF THE UNITED STATES POSTAL SERVICE OF
REVISIONS TO CERTAIN PAGES OF USPS-T-1 AND USPS-T-3 -- ERRATA**
(April 15, 2022)

The United States Postal Service hereby provides notice of revisions to page 9 of the Direct Testimony of Steven E. Jarboe on Behalf of the United States Postal Service (USPS-T-1) and page 6 of the Direct Testimony of A. Thomas Bozzo on Behalf of the United States Postal Service (USPS-T-3), both originally submitted in this docket on March 21, 2022. The two revisions, which are unrelated to each other, are described below.

With respect to USPS-T-1, as explained in the Postal Service's Response (April 8, 2022) to Question 5.d. of the Presiding Officer's Information Request No. 1, "Figure 2 in USPS-T-1 inaccurately boxed FCPS with Priority Mail, giving the impression that FCPS was a medium-price product. . . . The testimony that precedes Figure 2, however, clearly states that 'FCPS provides a medium-speed, low-price shipping option....' See USPS-T-1 at 8, line 20." The replacement Figure 2 on the attached revised page 9 more accurately conforms with the text appearing on page 8.

With respect to USPS-T-3, the change is required because of a revision to an input cost number relating to air transportation used in the supporting materials provided in USPS-LR-N2022-1-1 and USPS-LR-N2022-1-NP3, for which a separate errata notice

is filed concurrently. This revision causes the overall net cost impact of the planned changes in service standards to change from slightly negative (\$5 million reduction) to slightly positive (\$4 million increase). The affected figures are highlighted in gray on the attached revised page.

When the direct testimonies of witnesses Jarboe and Bozzo are presented for inclusion into the evidentiary record, the revised pages attached to this Notice will be incorporated into the final version of those testimonies.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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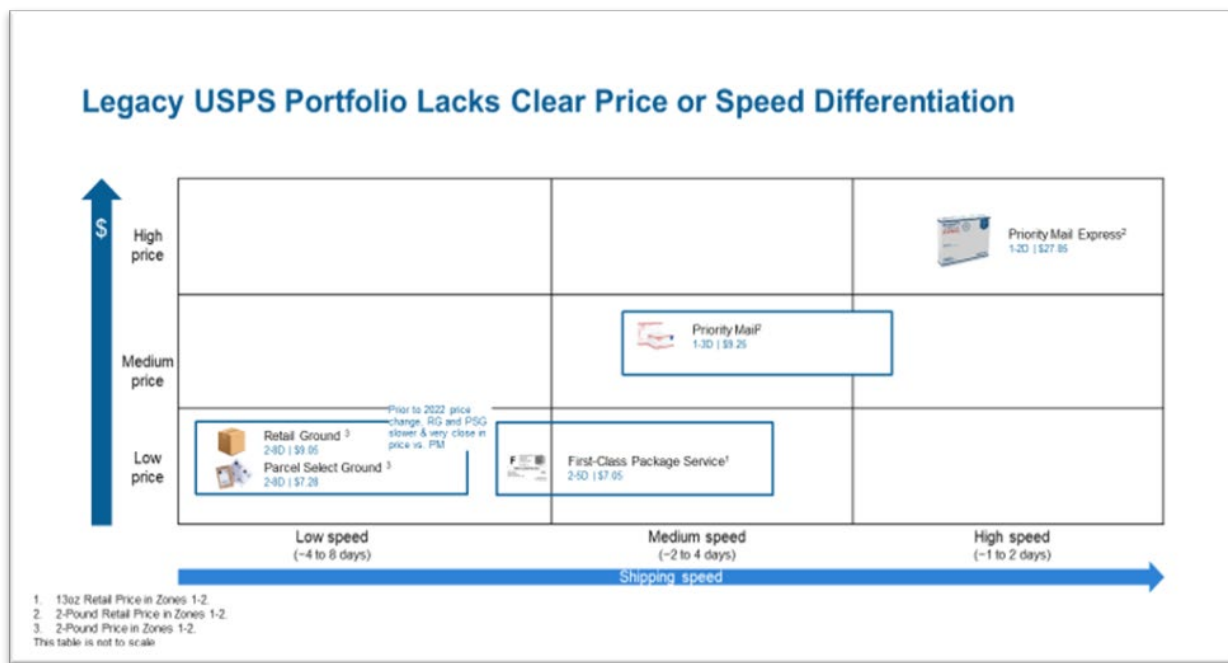
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Revised Page of Jarboe Testimony (USPS-T-1)

Recognizing the problematic pricing similarity of RG-PSG and PM, in January 2022, the Postal Service reduced prices for RG and PSG to improve the desirability of these products within the low-speed, low-priced market sector for large packages. But the Postal Service still had no product to fill the medium-speed, low-priced market for heavy packages. And, at 2- to 8-days, the service standard for RG-PSG simply does not align with and is considerably slower than comparable products of private-sector competitors.

Figure 2 – Products by Market Segment



Then, in September 2021, the Commission reviewed the Postal Service's Request to change the service standard for FCPS from 2- to 3-days to 2- to 5-days. In preparing to implement that change, we undertook to evaluate the opportunity to create a medium-speed, low-priced ground transportation product for large packages by aligning RG and PSG operations with FCPS. By combining RG and PSG processing and transportation with FCPS, we can serve market demand for a medium-speed, low

Revised Page of Bozzo Testimony (USPS-T-3)

pounds per cubic foot for FCPS to obtain the equivalent cost per cubic foot. I obtain the FedEx Day Turn cost per cubic foot and apply the cost differential to the estimated cubic feet of FCPS requiring FedEx Day Turn transportation under the planned standards. The mode shift is estimated to increase FCPS cost by \$40.4 million.

For PSG and RG, the required mode shift is from surface transportation to FedEx Day Turn air transportation. The surface transportation unit costs per cubic foot are distance-related (zoned), and costs based on Commission-accepted methodology are obtained from ACR2021 folder USPS-FY21-NP16. The FedEx Day Turn unit cost per cubic foot is the same as used in the FCPS calculation. The mode shift to air transportation is estimated to reduce transportation costs for high-zone PSG and RG, by \$0.1 million and \$4.6 million, respectively; the total cost change for both PSG and RG is a reduction of \$4.7 million. The result reflects relatively high costs for longer-distance (high zone) surface transportation movements under accepted methodology. The projected net transportation cost change is an increase of \$35.7 million. The cost impact calculations are provided in revised USPS-N2022-1-1 and USPS-N2022-1-NP3.

II. CONCLUSION

The planned service standards' merging of PSG and RG with FCPS mailflows will have small net impacts on the Postal Service's mail processing and purchased transportation costs. Reduced touches in mail processing operations are estimated to reduce costs by \$31.9 million based on FY2021 cost and volume inputs. The estimated effect on transportation cost is an increase of \$35.7 million. The estimated impacts are expected to reduce PSG and RG costs and thus enhance contribution from those products. The impact on FCPS contribution, and the estimated net cost increase of \$3.8 million, including mail processing and transportation cost impacts, are small.